EXHIBIT G

CASHCALL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

INDEX TO FINANCIAL STATEMENTS

SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc.

We have audited the accompanying consolidated balance sheets of CashCall, Inc. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 5, all of the Company's notes payable mature during 2010. The Company intends to negotiate with each lender and renew or extend the notes as they mature. The outcome of this matter may impact the Company's liquidity and operations. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
March 31, 2010

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

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CASHCALL, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 4,104,312	$ 2,013,034
Restricted cash	8,807,463	4,004,268
Unsecured consumer loans held for sale, at lower of cost or market	14,093,504	27,722,874
Unsecured consumer loans held for sale, at fair value	10,453,673	–
Mortgage loans held for sale, at fair value	33,706,194	–
Interest receivable, net	2,116,505	2,527,990
Prepaid expenses and other assets	2,690,891	4,101,197
Retained interest in loans sold, at fair value	66,679,794	58,108,279
Property and equipment, net	5,892,713	9,258,816
Total assets	$ 148,545,049	$ 107,736,458
LIABILITIES AND STOCKHOLDER'S EQUITY		
Accounts payable and accrued liabilities	$ 15,031,976	$ 11,766,992
Notes payable	107,597,731	90,291,424
Total liabilities	122,629,707	102,058,416
Commitments and Contingencies (Note 7)		
Stockholder's Equity		
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000	20,000,000
Additional paid-in capital	21,900,000	1,900,000
Accumulated deficit	(15,984,658)	(16,221,958)
Total stockholder's equity	25,915,342	5,678,042
Total liabilities and stockholder's equity	$ 148,545,049	$ 107,736,458

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2009 and 2008

	2009	2008
REVENUES		
Interest income	$ 28,786,229	$ 21,113,061
Interest expense	(10,689,020)	(7,314,861)
Net interest income	18,097,209	13,798,200
PROVISION FOR LOAN LOSSES	(3,171,835)	(7,093,789)
SERVICING INCOME	12,780,306	27,776,052
INCOME FROM RETAINED INTEREST IN LOANS SOLD	8,959,753	27,324,070
GAIN ON SALE OF MORTGAGE LOANS	2,976,316	–
CHANGE IN FAIR VALUE OF UNSECURED CONSUMER LOANS AND MORTGAGE LOANS HELD FOR SALE	3,701,071	–
OTHER INCOME	2,544,037	4,308,559
TOTAL NET REVENUES	45,886,857	66,113,092
OPERATING EXPENSES		
Salaries, wages and benefits	20,729,264	33,978,859
General and administrative expenses	19,995,556	26,164,432
Advertising	4,924,737	5,697,299
Total operating expenses	45,649,557	65,840,590
NET INCOME	$ 237,300	$ 272,502

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2009 and 2008

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated (Deficit)	Total Stockholder's Equity
	Shares	Amount			
BALANCE – DECEMBER 31, 2007	10,000	$ 20,000,000	$ 1,900,000	$ (16,494,460)	$ 5,405,540
Net income	–	–	–	272,502	272,502
BALANCE – DECEMBER 31, 2008	10,000	20,000,000	1,900,000	(16,221,958)	5,678,042
Conversion of shareholder note payable to equity	–	–	20,000,000	–	20,000,000
Net income	–	–	–	237,300	237,300
BALANCE – DECEMBER 31, 2009	10,000	$ 20,000,000	$ 21,900,000	$ (15,984,658)	$ 25,915,342

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 237,300	$ 272,502
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,542,907	3,679,405
Loss on sale of fixed assets	–	645,805
Provision for loan losses	3,171,833	7,093,789
Changes in fair value of loans held for sale	(3,701,071)	–
Unsecured loans originated, net of principal repayments	6,515,491	(17,070,118)
Mortgage loans originated, net of principal repayments	(394,831,502)	–
Proceeds from sale of mortgage loans	361,643,652	–
Changes in operating assets and liabilities:		
Restricted cash	(4,803,195)	843,156
Interest receivable	(2,917,415)	(1,509,768)
Prepaid expenses and other assets	1,410,306	(233,437)
Retained interest in loans sold	(8,571,515)	(25,842,317)
Accounts payable and accrued liabilities	3,264,987	1,524,172
Net cash used in operating activities	(35,038,222)	(30,596,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of fixed assets	–	416,000
Acquisition of property and equipment	(176,805)	(1,543,317)
Net cash used in investing activities	(176,805)	(1,127,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on loan warehouse financing facility	32,948,187	–
Proceeds from issuance of notes payable	10,874,000	31,792,213
Principal repayments on notes payable	(6,515,882)	(7,687,986)
Net cash provided by financing activities	37,306,305	24,104,227
NET INCREASE (DECREASE) IN CASH	2,091,278	(7,619,901)
CASH – beginning of year	2,013,034	9,632,935
CASH – end of year	$ 4,104,312	$ 2,013,034
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 10,336,154	$ 7,314,861
Income taxes	$ 122,971	$ 119,847
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Conversion of shareholder note payable to equity	$ 20,000,000	$ –

The accompanying notes are an integral part of these financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

CashCall, Inc. ("CashCall" or "the Company"), a California corporation, operates as both a specialty finance and mortgage lender. With respect to specialty finance, the Company engages in the business of marketing, originating, selling and servicing unsecured consumer loans sourced via telephone and the Internet primarily to customers responding to radio, television and internet advertisements. CashCall originates these unsecured consumer loans in California, New Mexico, Utah and Idaho. With respect to mortgage leading, CashCall began originating and selling mortgage loans in May 2009, using various forms of advertising. CashCall originates mortgages loans solely in California and all such loans have been sold on a servicing-released basis. CashCall is a HUD certified Title II "nonsupervised mortgagee" and may originate HUD insured mortgage loans. CashCall is owned by one stockholder (the "sole stockholder").

For reporting purposes, the Company adopted the fair value option for both unsecured consumer loans held for sale and mortgage loans held for sale originated on or after January 1, 2009.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CashCall, Inc. and its wholly-owned subsidiaries, CashCall Financing, LLC, CashCall Financing II, LLC and its two newly formed entities, CCL 2009 SPV, LLC and Cash Call Mortgage Trust, (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation. CashCall Financing, LLC and CashCall Financing II, LLC are inactive and insignificant to the consolidated financial statements at December 31, 2009 and 2008 and for the years then ended.

Under new provisions of GAAP, effective January 1, 2010, the Company will be required to consolidate its Qualified Special Purpose Entity ("QSPE") (see Retained Interests in Loans Sold below) in its financial statements based on the QSPE's fair values at the date of adoption.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity

All of the Company's notes payable, as discussed in Note 5, mature in 2010. While management believes that such notes will be successfully extended, renewed, or refinanced prior to such maturities in the normal course of business, there can be no assurance that management's efforts will be successful. The outcome of this matter may impact the Company's liquidity. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, the estimated fair value of retained interest in loans sold, valuation allowance on loans held for sale and the estimated useful lives of long-lived assets. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances, including restricted cash, may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than average credit scores and the Company does not require collateral to support these loans. At December 31, 2009 and 2008, no single customer represented greater than 10% of total unsecured loans receivable.

Additionally, the Company originates mortgage loans solely in California. Any further adverse changes in the related California real estate market, or significant increases in interest rates, could have a material adverse impact on the Company's mortgage lending operations.

The Company has obtained substantially all of its financing from the sole stockholder and two outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because of alternative financing sources.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk, interest rate risk and market risk. Credit risk is the risk of default, primarily in the loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Interest rate risk is the risk that the valuation of the Trust's interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Trust's business.

Additionally, the Company's mortgage lending operations have significant risk with respect to real estate market conditions and real estate market interest rate changes.

Repurchase Reserve

The Company sells all mortgage loans to loan purchasers on a servicing released basis without recourse. As such, these purchasers have assumed the risk of loss or default by the borrower. However, the Company is usually required by these purchasers to make certain representations relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans and indemnify these purchasers for any losses from borrower defaults. During the year ended December 31, 2009, the Company indemnified these purchasers in exchange for an agreed-upon cash payments totaling $26,000. No loans were repurchased for the year ended December 31, 2009. The Company accrues for losses on loan repurchases and settlement and indemnification agreements when it appears probable they will occur. Repurchased loans are evaluated at time of repurchase for purposes of determining fair market value and carrying value on the balance sheet. Related accruals are not significant at December 31, 2009.

Accounting for Derivative Instruments and Hedging Activities

The Company does not hedge interest rate risk and enters into commitments to originate mortgage loans whereby the interest rate on the loan is set prior to funding (interest rate lock commitments or "IRLC's"). IRLC's on mortgage loans ("loan commitments") that are intended to be sold are considered to be derivatives and are recorded at fair value in the balance sheet with the change in fair value recorded to operations. At December 31, 2009, such fair value amounts were not significant.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Derivative Instruments and Hedging Activities (continued)

Unlike most other derivative instruments, there is no active market for the loan commitments that can be used to determine their fair value. The Company has developed a method for estimating the fair value of loan commitments that are considered to be derivatives by calculating the change in market value from a commitment date to a measurement date based upon changes in applicable interest rates during the period, adjusted for a fallout factor.

Interest Recognition

Interest income on unsecured consumer loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and repayment. Management's periodic evaluation of the adequacy of the allowance is based on historical delinquency rates and roll rate analysis. Uncollectible interest on loans is included in other expenses. Accrual of interest income is suspended when a loan is contractually delinquent for 150 days or more. Once a loan is delinquent for 150 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Interest income on mortgage loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and selling of the loan in the secondary market.

Fair Value Option

GAAP permits a company to irrevocably elect fair value for the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract by contract basis, with changes in fair value recognized in earnings. The election to use the fair value option is available when an entity first recognizes a financial asset or a financial liability or upon entering into a firm commitment. In order to simplify the record keeping and income recognition, the Company has elected to measure the following financial assets at fair value:

- Unsecured loans held for sale originated in 2009
- Mortgage loans held for sale (originations began in May 2009)
- Retained interests in loans sold (fair value option elected in 2008)

Unsecured Consumer Loans Held for Sale

The Company records unsecured consumer loans held for sale under two methods: (1) lower of cost or market and (2) fair value.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unsecured Loans Held for Sale (continued)

Lower of Cost or Market

For loans originated prior to 2009, the Company has historically sold a significant portion of its loans to third party investors. Such loans are carried at the lower of cost or market. For purposes of determining market value, loans are aggregated into two groups. Loans that are current with regard to interest and principal payments are one group, loans that are in a delinquency status are in another group. Current loans are carried at cost as the market value of such loans, as determined by management is in excess of the carrying value. Delinquent loans are carried at market. Market value for delinquent loans is determined by management using delinquency rates and roll rate analysis. A valuation allowance of $3,125,354 and $4,138,068, respectively, was established as of December 31, 2009 and 2008 to reflect the excess of cost over market value for the delinquent group of loans. See Note 6 for further information on fair value.

Fair value

On January 1, 2009, the Company adopted the fair value option for newly funded unsecured consumer loans held for sale. Accordingly, all unsecured consumer loans originated by the Company on or after January 1, 2009 are reported at fair value.

The Company remeasures the fair value of its unsecured consumer loans held for sale at each reporting period and records the changes as a component of income. For the year ended December 31, 2009, the Company recorded an unrealized gain on the change in fair value of unsecured consumer loans held for sale of approximately $3,183,000, which is included in the accompanying statements of operations.

See Note 7 for further information on fair value and Note 2 for additional information on unsecured loans held for sale.

Mortgage Loans Held for Sale

Mortgage loans held for sale consists of single-family residential property mortgages having maturities up to 30 years. Pursuant to the mortgage terms, the borrowers have pledged the underlying real estate as collateral for the loans. It is the Company's practice to sell all loans to mortgage loan purchasers shortly after they are funded, on a loan servicing released basis.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgage Loans Held for Sale (continued)

As noted earlier, the Company has elected the fair value reporting option for mortgage loans since originations began in early 2009. Accordingly, mortgage loans held for sale are recorded at fair value. Fair value is determined using quoted market prices and committed prices to permanent investors, including mandatory and optional commitments to sell, if any. Changes in value fair value are recorded to operations in the reporting period. For the year ended December 31, 2009, the Company recorded an unrealized gain on the change in fair value of mortgage loans held for sale of approximately $518,000, which is included in the accompanying statements of operations. See Note 6 for further information on fair value.

Under fair value reporting, loan origination fees and costs are expensed as incurred.

Retained Interests in Loans Sold

The Company periodically transfers loans to investors in transactions that are accounted for as sales pursuant to GAAP. The sales typically result in the company transferring the assets to a bankruptcy-remote special purpose entity ("SPE") in exchange for cash and a retained interest in the SPE. The SPE are structured as QSPE's under GAAP and, accordingly, are not consolidated in the financial statements of the Company.

The Company retains the rights to service the loans, but believes that the servicing fees collected represent adequate market compensation for servicing and, accordingly, no asset for servicing rights is recorded. Servicing fees are recognized when the periodic remittance cycle is completed, which is generally when cash is collected.

The retained interests represent the fair value of the cash flows expected to be returned to the Company pursuant to the terms of the transactions documents. These documents specify the way in which cash is allocated to the various investors in the QSPE. The Company's retained interests are subordinated to other investors in the QSPE's and as such are fully exposed to losses from the entire pool of loans.

As of January 1, 2008, the Company elected to account for its retained interests at fair value with changes in such fair value recorded to operations. The election was made in order to simplify the record keeping and income recognition related to the retained interests. See Note 7 for further information on fair value and Note 3 for a summary of retained interests in loans sold.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents.

The Company maintains bank accounts to collect and remit funds as part of servicing agreements with various entities. Restricted cash balances related to such accounts were $8,807,463 and $4,004,268 at December 31, 2009 and 2008, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment review is conducted. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. For the years ended December 31, 2009 and 2008, management determined that no impairment existed and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Income Taxes

CashCall has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Income taxes are the responsibility of the respective stockholders. Accordingly, the Company has not provided for federal income taxes. However, CashCall is subject to a California income tax of 3.5% on taxable income.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Advertising costs totaled $4,924,737 and $5,697,299, respectively, for the years ended December 31, 2009 and 2008.

Subsequent Events

Management has evaluated subsequent events through March 31, 2010, the date the financial statements were issued.

Recently Issued Accounting Standards

In August 2009, the FASB issued an Accounting Standards Update on *Fair Value Measurements and Disclosures–Measuring Liabilities at Fair Value*, which provides clarification that in circumstances in which a quoted price in an active market for an identical liability is not available, companies are required to measure value using one or more of the techniques prescribed by the standard, Valuation techniques include the quoted price of the identical liability when traded as an asset, quoted prices of similar liabilities or similar liabilities when traded as an asset, and other valuation techniques consistent with the principles of *Fair Value Measurements*. The amendments also clarify that when estimating the fair value of a liability, companies are not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents that transfer of the liability. This update is effective for the first reporting period beginning after issuance. The Company does not expect the amendments to have a material impact on its financial statements.

2. UNSECURED CONSUMER LOANS HELD FOR SALE AND INTEREST RECEIVABLE

Pre-2009 Loans

Unsecured loans originated prior to 2009 are carried at the lower of cost or market. The loan portfolio accounted for at lower of cost or market contains consumer loans of $10,000, $5,075, $2,600 and $1,500 that are not secured by collateral, originated prior to 2009. The $10,000 loan is due over the period of 120 months, the $5,075 loan is due over the period of 84 months, the $2,600 loan is due over the period of 42 months and the $1,500 loan is due over a period of 12 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time

2. UNSECURED CONSUMER LOANS HELD FOR SALE AND INTEREST RECEIVABLE (continued)

Pre-2009 Loans (continued)

without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 29% to 59% on $10,000 loans, 69% on $5,075 loans, 79-96% on $2,600 loans and 48% on $1,500 loans. As of October 2008, the Company limited the loan products it offers to the $2,600 personal loans.

Unsecured consumer loans receivable, carried at lower of cost or market, consists of the following at December 31, 2009 and 2008:

	2009	2008
Unsecured consumer loans held for sale	$ 17,218,858	$ 31,860,942
Valuation allowance for loan losses	(3,125,354)	(4,138,068)
Unsecured consumer loans held for sale, at lower of cost or market	$ 14,093,504	$ 27,722,874

2009 Loans

Loans originated after January 1, 2009 are carried at fair value and contain personal loans of $2,600 that are not secured by collateral. These loans have a principal balance of $2,600 are due over a period of 36 months at an interest rate of 135% and borrowers are required to make monthly payments of principal and interest. Borrowers can repay their loan at any time without penalty. The balance of unsecured loans held for sale, carried at fair value, was $10,453,673 at December 31, 2009.

Contractual Maturities on Consumer Loans

Contractual maturities of loan principal for unsecured loans held for sale, accounted for at both lower of cost or market or fair value, are as follows for the years ending December 31:

2010	$ 4,267,789
2011	7,514,910
2012	8,527,134
2013	1,398,376
2014 and thereafter	2,781,595
	$ 24,489,804

2. UNSECURED CONSUMER LOANS HELD FOR SALE AND INTEREST RECEIVABLE (continued)

Combined Interest Receivable

Combined interest receivable, for both unsecured consumer loans accounted for at lower of cost or market and fair value, consists of the following at December 31, 2009 and 2008:

	2009	2008
Interest receivable	$ 2,397,502	$ 2,905,332
Valuation allowance for defaults	(280,997)	(377,342)
Interest receivable, net	$ 2,116,505	$ 2,527,990

3. RETAINED INTERESTS IN LOANS SOLD

Activity in Retained Interests in Loans Sold for the years ended December 31, 2009 and 2008 is as follows:

Balance at December 31, 2007	$ 32,265,962
Change in fair value	25,842,317
Balance at December 31, 2008	58,108,279
Change in fair value	8,571,515
Balance at December 31, 2009	$ 66,679,794

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009 and 2008:

	2009	2008
Computer equipment and software	$ 14,272,792	$ 14,114,849
Furniture and fixtures	4,483,688	4,483,688
Leasehold improvements	179,931	179,931
Autos	18,862	15,742
	18,955,273	18,794,210
Accumulated depreciation and amortization	(13,062,560)	(9,535,394)
	$ 5,892,713	$ 9,258,816

5. NOTES PAYABLE

All of the Company's notes payable mature in 2010. The balances outstanding on notes payable at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
CIGPF I Corp.	$ 24,596,039	$ 30,963,973
Texas Capital Bank	32,948,187	–
Centurion Credit Resources, LLC	10,000,000	–
Other notes payable	2,019,704	1,567,650
Notes payable to related parties	16,774,000	16,500,000
Due to stockholder	21,259,801	41,259,801
Total notes payable	$ 107,597,731	$ 90,291,424

CIGPF I Corp.

In September 2006, the Company entered into a $50 million term credit facility with CIGPF I Corp. The proceeds of such loan have been used to fund unsecured consumer loans originated by the Company. The CIGPF I Corp. note matures on December 15, 2010 and requires monthly payments of principal and interest. Borrowings are based on eligible unsecured loans receivable and bear interest at 30-day LIBOR plus 15% (15.24% at December 31, 2009). The Company is subject to financial covenants and financial triggers and at December 31, 2009, was in compliance with all such covenants and financial triggers. Such loan facility is secured by the specific unsecured consumer originated by the proceeds loans.

Texas Capital Bank

The Company has a loan warehouse financing facility with Texas Capital Bank to fund up to $33 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan investors. This loan warehouse financing facility is secured by the related mortgage loans. The interest rate charged on borrowings against these funds is based on LIBOR (0.17% at December 31, 2009) plus varying percentages and contains an interest rate floor of 4.5%. This agreement includes various financial and nonfinancial covenants for which the Company was in compliance with at December 31, 2009. Either party may terminate this agreement at any time. This agreement expires in May 2010 (as amended).

Centurion Credit Resources

In December 2009, the Company entered into a $10 million term credit facility with Centurion Credit Resources, LLC ("Centurion"). The proceeds of such loan have been used to fund unsecured consumer loans originated by the Company and is secured by the related unsecured consumer loans receivable. The loan bears interest at 30% per annum, requires monthly interest payments, and matures on December 31, 2010.

5. NOTES PAYABLE (continued)

Other Notes Payable

From July through December 2008, the Company issued unsecured notes payable to unrelated third parties for proceeds approximating $1,600,000. Such notes bear interest at 12% per annum and are due six months after issuance. In 2009, approximately $1,420,000 of such notes were renewed for an additional six months upon maturity. The remaining principal balance of $180,000 was repaid to the holders. In July and December 2009, the Company also issued new unsecured 12% six-month notes payable to unrelated third parties for proceeds approximating $500,000 and $100,000, respectively. The $500,000 note was subsequently renewed in January 2010 for an additional six months. Other notes payable totaling $2,019,704 mature through June 2010.

Notes Payable to Related Parties

In December 2009, the Company also borrowed approximately $9,964,000 under a six-month note payable to the sole stockholder bearing interest at 20% per annum. The note requires monthly interest payments and matures June 2009,

In November 2008, the Company borrowed $5,400,000 from the sole stockholder under a two-year note payable. The note bears interest at 20% per annum, requires monthly interest payments, and matures in November 2010.

In November 2008, the Company borrowed $16,500,000 from GreenWall, Inc., a related party under common control of the sole stockholder. Such note bore interest at 15% per annum through July 2009 and was increased to 20% beginning August 2009. The unpaid principal balance of the note at December 31, 2009 and 2008 was $1,410,000 and $16,500,000, respectively. The note matures in November 2010.

Due to Stockholder

From time to time, the Company borrows money for working capital purposes from the sole stockholder. In September 2009, the sole stockholder converted $20,000,000 of the outstanding principal balance to equity which is included in additional paid in capital in the accompanying balance sheets. At December 31, 2009 and 2008, the total principal balance due to stockholder approximated $21,300,000 and $41,300,000, respectively. The borrowings bore interest at approximately 6% per annum through September 2009 and increased to 11.6% in October 2009 and are due on demand. For the years ended December 2009 and 2008, the Company paid the sole stockholder approximately $2,475,000 of interest each year.

6. FAIR VALUE MEASUREMENTS

At the Company's election, certain financial and nonfinancial assets and liabilities that can be measured at estimated fair value. GAAP establishes a three-tier fair value hierarchy which prioritizes the inputs used in estimating fair value as follows:

- *Level 1*: Observable inputs such as quoted prices in active markets;
- *Level 2*: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3*: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company elected to measure mortgage loans and unsecured consumer loans which originated in 2009 at fair value beginning January 1, 2009.

Except for unsecured loans held for sale, mortgage loans held for sale, and retained interests in loans sold, the Company does not have any assets and liabilities that are measured at fair value on a recurring basis.

The Company's financial instruments that are not carried at fair value on the balance sheet at December 31, 2009 include cash, restricted cash, unsecured loans receivable funded prior to 2009, accounts receivable, accrued liabilities, notes payable, and due to stockholder. Management believes the estimated fair value of these financial instruments, except for unsecured loans funded prior to 2009, approximates their respective carrying amounts due to the short-term maturity of such instruments. See the table below for the fair value of unsecured loans funded prior to 2009.

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity on these various instruments could be significantly different.

6. FAIR VALUE MEASUREMENTS (continued)

The Company's balances of unsecured consumer loans held for sale, mortgage loans held for sale, and retained interests in loans sold are subject to changes in fair value, due to several factors, including fluctuations in interest rates from the loan funding date to the balance sheet date. Typically, such assets decline in value when interest rates increase and rise in value when interest rates decrease.

Assets measured at fair value on a recurring basis at December 31, 2009 are summarized as follows:

	Level 1	Level 2	Level 3
	Quoted market prices in Active markets	Internal Models with significant observable market parameters	Internal models with significant unobservable market parameters
Assets:			
Mortgage loans held for sale	$ –	$ 33,706,194	$ –
Unsecured consumer loans receivable held for sale (funded in 2009)	$ –	$ –	$ 10,453,673
Retained interests in loans sold	$ –	$ –	$ 66,679,794

Retain interest in loans sold had a fair value of $58,108,279 at December 31, 2008.

Assets measured at fair value on a nonrecurring basis at December 31, 2009 are summarized as follows:

	Total carrying value	Level 1	Level 2	Level 3
		Quoted market prices in Active markets	Internal Models with significant observable market parameters	Internal models with significant unobservable market parameters
Assets:				
Unsecured loans receivable held for sale (pre-2009)	$ 14,093,504	$ –	$ –	$ 16,912,205

Mortgage Loans Held for Sale

For mortgage loans held for sale, fair value is determined using Level 2 inputs in the form of quoted market prices and committed prices to permanent investors, including mandatory and optional commitments to sell, if any.

Unsecured Consumer Loans Held for Sale

Using Level 3 inputs, the Company estimates the fair value of the unsecured loans held for sale originated after January 1, 2009 by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the loans. Key assumptions include the

6. FAIR VALUE MEASUREMENTS (continued)

Unsecured Consumer Loans Held for Sale (continued)

default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity. The Company applies assumptions based on the product type and age of the loan pools. Assumed defaults rates range up to 4.25% per month and assumed prepayments rates range up to 5% per month. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. The discount rate used is 25%. Management believes that there is no observable market for these unsecured loan products and, accordingly, these loans are considered to be Level 3 assets pursuant to the provisions of GAAP concerning fair value measurements, and were considered as such throughout the entire year.

Retained Interests in Loans Sold

Using Level 3 inputs, the Company estimates the fair value of the retained interests by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the retained interests. Key assumptions include the default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity. The Company applies assumptions based on the product type and age of the loan pools. Assumed defaults rates range up to 6.0% per month and assumed prepayments rates range up to 4.0% per month as of December 31, 2009 and 2008. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. The discount rate used is 17% as of December 2009. Management believes that there is no observable market for retained interests in loans sold such as those the Company holds and, accordingly, these assets are considered to be Level 3 assets pursuant to the provisions of GAAP concerning fair value measurements, and were considered as such throughout the entire year.

6. FAIR VALUE MEASUREMENTS (continued)

The following table presents the changes for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2009:

	Retained Interests	2009 Unsecured Consumer Loans
Fair value, December 31, 2008	$ 58,108,279	$ –
Change in fair value	8,571,515	–
Originations	–	10,453,673
Fair value, December 31, 2009	$ 66,679,794	$ 10,453,673

Key assumptions used in estimating the fair value of CashCall's financial instruments at December 31, 2009, and the effect on the estimated fair value from adverse changes in those assumptions are as follows:

Fair value of retained interest in loans sold	$ 66,679,794
Discount rate	17%
Impact of 10% adverse change	(2,297,674)
Impact of 20% adverse change	(4,480,343)
Fair value of unsecured consumer loans originated in 2009	$
Discount rate	25%
Impact of 10% adverse change	(194,569)
Impact of 20% adverse change	(384,346)

Market Environment

The Company is a specialty lender and a mortgage lender. Its operations are therefore dependent on the credit markets. The level of government intervention and stimulus to the financial system has brought interest rates to historic low levels. Should LIBOR and mortgage interest rates increase to normalized levels, it will materially reduce the fair value of its financial instruments reflected in the accompanying balance sheet at December 31, 2009.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

During February 2008, the Company canceled its lease for office space in Fountain Valley, California, and moved its primary offices to Anaheim, California. The Anaheim operating lease expired in July 2009 and was renewed on a month to month basis at approximately $23,000 per month. The Company also leases office space in Las Vegas, Nevada under an operating lease expiring in May 2010. Future minimum rental payments required under the Las Vegas lease approximates $117,096.

Rent expense approximated $2,324,000 and 3,042,000 for the years ended December 31, 2009 and 2008, respectively.

Warrants

In connection with sale of a large block of unsecured loans in December 2007, the Company issued warrants to the buyer for the purchase of 1,099 shares of the Company's common stock (representing approximately 10% of the fully diluted outstanding common shares at such time) at an exercise price of $0.01 per share. The warrants contain anti-dilution provisions, and (except as otherwise described in the related agreement) expire ten years after issuance. The warrants also include a "put" right, whereby the warrant holder (the "Holder") may upon the sale of a majority equity interest in the Company require the Company to cash settle the warrants. Such warrants represent a Company liability under GAAP.

If the Company is required by the structure of any such transaction to cash settle the warrants, the purchase price will be an amount equal to their estimated fair market value immediately prior to consummating a sale transaction. However, under the terms of the warrant agreement, the Holder's contingent put right will be null and void if (a) the consideration paid by a buyer of the Company's common stock consists solely of cash and/or capital stock of a publicly held entity or (b) the Company does not have sufficient cash legally available to fully satisfy the put right. If the warrant put right must be cash settled (for reasons described above), the sole stockholder of the Company presently intends to finance such payment from (1) the proceeds he will receive from selling a majority equity interesting in the Company and/or (2) other personal assets. Based on an independent valuation performed in prior years and management's updates, management determined that the estimated fair value of such warrants was not significant at December 31, 2009 and 2008.

7. COMMITMENTS AND CONTINGENCIES (continued)

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and, in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

8. EMPLOYEE BENEFIT PLAN

The Company offers a defined contribution 401(k) plan with discretionary Company contributions. To become eligible, employees must be at least 21 years of age, have been employed for a minimum of 6 months, and worked at least 500 hours during that period. The Company did not contribute to the 401(k) plan for the years ended December 31, 2009 and 2008.

EXHIBIT H

CASHCALL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

EXHIBIT NO. 67
7/8/13
D. CHADWICK

INDEX TO FINANCIAL STATEMENTS

SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc.

We have audited the accompanying consolidated balance sheets of CashCall, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in 2010 the Company changed its method of accounting for qualified special purpose entities.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
March 31, 2011

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP
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Los Angeles Newport Beach San Diego Sherman Oaks Cayman Islands

CASHCALL, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,704,007	$ 4,104,312
Restricted cash	17,062,226	8,807,463
Unsecured:		
Consumer loans held for sale, at lower of cost or market, net	6,313,185	14,093,504
Consumer loans held for sale, at fair value	158,548,048	81,814,036
Total consumer loans held for sale	164,861,233	95,907,540
Mortgage loans held for sale, at fair value	10,517,426	33,706,194
Interest receivable, net	11,574,418	5,561,729
Prepaid expenses and other assets	7,905,320	2,690,891
Participating interest in loans sold, at fair value	6,000,000	10,000,000
Property and equipment, net	4,138,730	5,892,713
Total assets	$ 224,763,360	$ 166,670,842
LIABILITIES AND STOCKHOLDER'S EQUITY		
Accounts payable and accrued liabilities	$ 15,065,540	$ 15,031,976
Notes payable	166,904,917	125,723,524
Total liabilities	181,970,457	140,755,500
Commitments and Contingencies (Note 7)		
Stockholder's Equity		
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000	20,000,000
Additional paid-in capital	21,900,000	21,900,000
Accumulated earnings (deficit)	892,903	(15,984,658)
Total stockholder's equity	42,792,903	25,915,342
Total liabilities and stockholder's equity	$ 224,763,360	$ 166,670,842

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Interest income	$ 79,997,770	$ 64,541,084
Interest expense	(24,388,949)	(15,013,805)
Net interest income	55,608,821	49,527,279
SERVICING INCOME	5,951,547	12,016,236
PROVISION FOR LOAN LOSSES	(5,609,355)	(11,302,001)
GAIN ON SALE OF MORTGAGE LOANS	40,688,624	2,976,316
CHANGE IN FAIR VALUE OF PARTICIPATING INTEREST IN LOANS SOLD	(4,000,000)	–
CHANGE IN FAIR VALUE OF UNSECURED CONSUMER LOANS AND MORTGAGE LOANS HELD FOR SALE BEFORE CHARGE OFFS	20,023,536	9,694,822
LOANS CHARGED OFF	(16,871,112)	(17,183,140)
NET CHANGE IN FAIR VALUE	3,152,424	(7,488,318)
OTHER INCOME	2,332,128	1,475,185
TOTAL NET REVENUES	98,124,189	47,204,697
OPERATING EXPENSES		
Salaries, wages and benefits	27,224,842	20,757,248
General and administrative expenses	36,525,398	21,285,412
Advertising	17,496,388	4,924,737
Total operating expenses	81,246,628	46,967,397
NET INCOME	$ 16,877,561	$ 237,300

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2010 and 2009

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated (Deficit)	Total Stockholder's Equity
	Shares	Amount			
BALANCE – DECEMBER 31, 2008	10,000	$ 20,000,000	$ 1,900,000	$ (16,221,958)	$ 5,678,042
Conversion of shareholder note payable to equity	–	–	20,000,000	–	20,000,000
Net income	–	–	–	237,300	237,300
BALANCE – DECEMBER 31, 2009	10,000	20,000,000	21,900,000	(15,984,658)	25,915,342
Net income	–	–	–	16,877,561	16,877,561
BALANCE – DECEMBER 31, 2010	10,000	$ 20,000,000	$ 21,900,000	$ 892,903	$ 42,792,903

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 16,877,561	$ 237,300
Adjustments to reconcile net income to net cash used in/provided by operating activities:		
Depreciation and amortization	3,028,622	3,542,908
Provision for loan losses	5,609,355	11,302,001
Loans charged off	16,871,112	17,183,140
Changes in fair value of loans held for sale	(20,247,703)	(10,213,166)
Unsecured loans originated, net of principal repayments	(64,027,363)	17,681,550
Mortgage loans originated, net of principal repayments	(1,542,812,816)	(394,831,502)
Proceeds from sale of mortgage loans	1,566,225,751	361,643,652
Changes in operating assets and liabilities:		
Restricted cash	(8,254,763)	(4,803,195)
Interest receivable	(13,395,950)	(5,298,520)
Prepaid expenses and other assets	(5,214,429)	1,410,306
Participating interest in loans sold	4,000,000	–
Accounts payable and accrued liabilities	33,564	3,264,984
Net cash provided by (used in) operating activities	(41,307,059)	1,119,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,274,639)	(176,805)
Net cash used in investing activities	(1,274,639)	(176,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on loan warehouse financing facility	(22,491,528)	32,948,187
Proceeds from issuance of notes payable	124,812,985	10,874,000
Principal repayments on notes payable	(61,140,064)	(42,673,562)
Net cash provided by financing activities	41,181,393	1,148,625
NET INCREASE (DECREASE) IN CASH	(1,400,305)	2,091,278
CASH AND CASH EQUIVALENTS – beginning of year	4,104,312	2,013,034
CASH AND CASH EQUIVALENTS – end of year	$ 2,704,007	$ 4,104,312
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 20,112,246	$ 14,660,939
Income taxes	$ 59,194	$ 122,971
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Conversion of shareholder note payable to equity	$ –	$ 20,000,000

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

CashCall, Inc. and Subsidiaries ("CashCall" or "the Company"), a California corporation, operates as both a specialty finance and mortgage lender. With respect to specialty finance, the Company engages in the business of marketing, originating, selling and servicing unsecured consumer loans sourced via telephone and the Internet primarily to customers responding to radio, television and internet advertisements. CashCall originates these unsecured consumer loans in California, New Mexico, Utah and Idaho. With respect to mortgage lending, CashCall began originating and selling mortgage loans in January 2009, using various forms of advertising. CashCall originates mortgages loans solely in California and all such loans have been sold on a servicing-released basis. CashCall is a HUD certified Title II "nonsupervised mortgagee" and may originate HUD insured mortgage loans. CashCall is owned by one stockholder (the "sole stockholder").

For reporting purposes, the Company adopted the fair value option for both unsecured consumer loans held for sale and mortgage loans held for sale originated on or after January 1, 2009.

Change in Method of Accounting for Qualified Special Purpose Entities

The Company has two QSPE's called Cash CashCall Receivables Trust ("CCRT") and CashCall Receivables Trust II ("CCRT II").

Prior to January 1, 2010, there were two different accounting frameworks applicable to a bankruptcy-remote special purpose entity ("SPE"), depending on the nature of the entity and the Company's relation to that entity; the qualifying special purpose entity ("QSPE") framework and the variable interest entity ("VIE") framework.

The QSPE framework applied when an entity transferred (sold) financial assets to an SPE meeting certain criteria. These criteria were designed to ensure that the activities of the SPE were essentially predetermined in their entirety at the inception of the vehicle and that the transferor could not exercise control over the entity, its assets or activities. Entities meeting these criteria were not consolidated by the Company.

When the SPE did not meet the QSPE criteria, consolidation was assessed pursuant to the VIE framework. A VIE is defined as an entity that (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional subordinated financial support from other parties, (2) has equity owners who are unable to make decisions and/or (3) has equity owners that do not absorb or receive the entity's losses and returns. QSPEs were previously excluded from the scope of the VIE framework.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Method of Accounting for Qualified Special Purpose Entities (continued)

The VIE framework requires a variable interest holder (counterparty to a VIE) to consolidate the VIE if that party will absorb a majority of the expected losses of the VIE, receive a majority of the residual returns of the VIE, or both. This party is considered the primary beneficiary of the entity. The determination of whether the Company meets the criteria to be considered the primary beneficiary of a VIE requires an evaluation of all transactions (such as investments, liquidity commitments, derivatives and fee arrangements) with the entity.

Effective January 1, 2010, QSPE's are no longer excluded from the consolidation provisions of the VIE framework and the Company now consolidates CCRT and CCRT II in its consolidated financial statements. In accordance with the new guidance, the Company must consolidate QSPEs and VIEs at carrying value or elect the fair value option. The Company has elected the fair value option for the financial assets of CCRT and CCRT II and will continue to adjust these assets to fair value at each reporting period with changes in fair value reported in earnings.

As a result of the consolidation of CCRT and CCRT II, the residual interest that was previously recognized for these entities was reclassed to the appropriate financial statement line items, which had no impact to beginning retained earnings. The consolidated balance sheet accounts affected by the change in accounting principle were unsecured consumer loans held for sale, at fair value, interest receivable, net, retained interest in loans sold, at fair value, and notes payable. The consolidated statement of operations accounts affected by the change in accounting principle were net interest income, provision for loan losses, loss from retained interest in loans sold, change in fair value of unsecured consumer loans and mortgage loans held for sale, other income, salaries, wages and benefits, and general and administrative expenses.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements include the accounts of CashCall, Inc. and its two newly consolidated entities CCRT and CCRT II (collectively hereinafter the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, the estimated fair value of consumer and mortgage loans held for sale that were funded subsequent to December 31, 2008, the estimated fair value of consumer loans held for sale by CCRT or CCRT II, the estimated fair value of participating interest in loans sold, valuation allowances on loans held for sale (funded prior to January 1, 2009) and the estimated useful lives of long-lived assets. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances, including restricted cash, may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than average credit scores and the Company does not require collateral to support these loans. At December 31, 2010 and 2009, no single customer represented greater than 10% of total unsecured loans receivable.

Additionally, the Company originates mortgage loans solely in California. Any further adverse changes in the related California real estate market, or significant increases in interest rates, could have a material adverse impact on the Company's mortgage lending operations.

The Company has obtained substantially all of its financing from the sole stockholder and six outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because of alternative financing sources.

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk, interest rate risk and market risk. Credit risk is the risk of default, primarily in the loan portfolio that results from borrowers' inability or unwillingness to make contractually required

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties (continued)

payments. Interest rate risk is the risk that the valuation of the Company's interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business.

Additionally, the Company's mortgage lending operations have significant risk with respect to real estate market conditions and real estate market interest rate changes.

Repurchase Reserve

The Company sells all mortgage loans to loan purchasers on a servicing released basis without recourse. As such, these purchasers have assumed the risk of loss or default by the borrower. However, the Company is usually required by these purchasers to make certain representations relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans and/or indemnify these purchasers for any losses from borrower defaults. During the years ended December 31, 2010 and 2009, the Company incurred no indemnification expense nor repurchased any loans. The Company accrues for losses on loan repurchases and indemnification agreements when it appears probable they will occur. Repurchased loans, if any, would be evaluated at time of repurchase for purposes of determining fair market value and carrying value on the balance sheet. Claims by loan purchasers for indemnification and loan repurchase have been minor since the Company began funding mortgages during 2009 and related accruals are not significant at December 31, 2010 and 2009.

Accounting for Interest Rate Lock Commitments

The Company does not hedge interest rate risk and enters into commitments to originate mortgage loans whereby the interest rate on the loan is set prior to funding (interest rate lock commitments or "IRLC's"). IRLC's on mortgage loans ("loan commitments") that are intended to be sold are considered to be derivatives and are recorded at fair value in the balance sheet with the change in fair value recorded to operations. At December 31, 2010 and 2009, such fair value amounts were not significant.

1. **NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Interest Recognition

Interest income on unsecured consumer loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and repayment. Management's periodic evaluation of the adequacy of the allowance is based on historical delinquency rates and roll rate analysis. Uncollectible interest on loans is included in other expenses. Accrual of interest income is suspended when a loan is contractually delinquent for 150 days or more. Once a loan is delinquent for 150 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Interest income on mortgage loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and selling of the loan in the secondary market.

Fair Value Option

GAAP permits a company to irrevocably elect fair value for the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract by contract basis, with changes in fair value recognized in earnings. The election to use the fair value option is available when an entity first recognizes a financial asset or a financial liability or upon entering into a firm commitment. In order to simplify the record keeping and income recognition, the Company has elected to measure the following financial assets at fair value:

- All unsecured loans held for sale by CCRT and CCRT II entities
- Unsecured loans held for sale, other than those held by CCRT or CCRT II, that originated subsequent to January 1, 2009
- Mortgage loans held for sale (originations began in January 2009)
- Retained interests in loans sold (fair value option elected in 2009)

Unsecured Consumer Loans Held for Sale

The Company records unsecured consumer loans held for sale under two methods: (1) lower of cost or market and (2) fair value.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unsecured Consumer Loans Held for Sale (continued)

Lower of Cost or Market (continued)

For loans originated prior to 2009, the Company carries such loans at the lower of cost or market. For purposes of determining market value, loans are aggregated into two groups. Loans that are current with regard to interest and principal payments are one group; loans that are in a delinquency status are in another group. Current loans are carried at cost as the market value of such loans, as determined by management, is in excess of the carrying value. Delinquent loans are carried at market. Market value for delinquent loans is determined by management using delinquency rates and roll rate analysis. The Company had a valuation allowance of $628,605 and $3,125,354 at December 31, 2010 and 2009, respectively, to reflect the excess of cost over market value for the delinquent group of loans.

Fair value

On January 1, 2009, the Company adopted the fair value option for newly funded unsecured consumer loans held for sale. Accordingly, all unsecured consumer loans originated by the Company on or after January 1, 2009 are reported at fair value.

On January 1, 2010, the Company adopted new guidance that requires former QSPEs to be evaluated for consolidation. As a result, the Company has consolidated CCRT and CCRT II and has elected the fair value option for the unsecured consumer loans held by these entities with retrospective application to January 1, 2009. Accordingly, all unsecured consumer loans held by CCRT and CCRT II are reported at fair value for the years ended December 31, 2010 and 2009.

The Company remeasures the fair value of its unsecured consumer loans held for sale at each reporting period and records the changes as a component of operations. For the years ended December 31, 2010 and 2009, the Company recorded an unrealized gain (loss) on the change in fair value of unsecured consumer loans held for sale of approximately $3,152,424 and ($7,488,318), respectively, which is included in the accompanying statements of operations.

Using Level 3 (Note 6) inputs, the Company estimates the fair value of the unsecured loans held for sale originated after December 31, 2008 by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the loans. Key assumptions include the default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity. The

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unsecured Consumer Loans Held for Sale (continued)

Fair Value (continued)

Company applies assumptions based on the product type and age of the loan pools. Assumed defaults rates range up to 4.25% per month and assumed prepayments rates range up to 7% per month. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. Management used a discount rate for the years ended December 31, 2010 and 2009 of 25% for each year. Management believes that there is no observable market for these unsecured loan products and, accordingly, these loans are considered to be Level 3 assets pursuant to the provisions of GAAP concerning fair value measurements, and were considered as such throughout the entire year.

See Note 6 for further information on fair value and Note 2 for additional information on unsecured loans held for sale.

Mortgage Loans Held for Sale

Mortgage loans held for sale consists of single-family residential property mortgages having maturities up to 30 years. Pursuant to the mortgage terms, the borrowers have pledged the underlying real estate as collateral for the loans. It is the Company's practice to sell all loans to mortgage loan purchasers shortly after they are funded, on a loan servicing released basis.

As noted earlier, the Company has elected the fair value reporting option for mortgage loans originated after January 1, 2009. Accordingly, mortgage loans held for sale are carried at fair value. Fair value is determined using quoted market prices and committed prices to permanent investors, including mandatory and optional commitments to sell, if any. Changes in fair value are recorded to operations in the reporting period. For the years ended December 31, 2010 and 2009, the Company recorded an unrealized gain on the change in fair value of mortgage loans held for sale of approximately $224,000 and $518,000, respectively, which is included in the accompanying statements of operations. See Note 6 for further information on fair value.

Under fair value reporting, loan origination fees and costs are expensed as incurred.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgage Loans Held for Sale (continued)

For mortgage loans held for sale, fair value is determined using Level 2 inputs in the form of quoted market prices and committed prices to permanent investors, including mandatory and optional commitments to sell, if any. See Note 6 for further information on fair value.

Participating Interest in Loans Sold

During 2007, the Company sold loans to a third party purchaser in a direct sale without involving an SPE, and retained a small participating interest in the sold loan portfolio. The Company retained the rights to service the loans, but believes that the servicing fees collected represent adequate market compensation for servicing and, accordingly, no asset for servicing rights was recorded. Servicing fees are recognized when the periodic remittance cycle is completed, which is generally when cash is collected.

The participating interest represents the fair value of the cash flows expected to be returned to the Company pursuant to the terms of the sale transactions documents. These documents specify the way in which cash is allocated.

The Company accounts for its participating interest at fair value with changes in fair value recorded to operations. See Note 6 for further information on fair value and Note 3 for a summary of activity.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents.

The Company maintains bank accounts to collect and remit funds as part of servicing agreements with various entities. Restricted cash balances related to such accounts were $17,062,226 and $8,807,463 at December 31, 2010 and 2009, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

1. **NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment review is conducted. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. For the years ended December 31, 2010 and 2009, management determined that no impairment existed and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Income Taxes

CashCall has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Income taxes are the responsibility of the respective stockholders. Accordingly, the Company has not provided for federal income taxes. However, CashCall is subject to a California income tax of 3.5% on taxable income.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Advertising costs totaled $17,496,388 and $4,924,737, respectively, for the years ended December 31, 2010 and 2009.

Subsequent Events

Management has evaluated subsequent events through March 31, 2011, the date the financial statements were issued.

2. UNSECURED CONSUMER LOANS HELD FOR SALE AND INTEREST RECEIVABLE

Pre-2009 Loans

Unsecured loans originated prior to 2009, excluding those held in the newly consolidated CCRT and CCRT II, are carried at the lower of cost or market. The loan portfolio accounted for at lower of cost or market contains consumer loans of $10,000, $5,075, $2,600 and $1,500 that are not secured by collateral, originated prior to 2009. The $10,000 loan is due over the period of 120 months, the $5,075 loan is due over the period of 84 months, the $2,600 loan is due over the period of 42 months and the $1,500 loan is due over a period of 12 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 29% to 59% on $10,000 loans, 69% on $5,075 loans, 79-96% on $2,600 loans and 48% on $1,500 loans.

Unsecured consumer loans receivable, carried at lower of cost or market, consists of the following at December 31, 2010 and 2009:

	2010	2009
Unsecured consumer loans held for sale	$ 6,941,790	$ 17,218,858
Valuation allowance for loan losses	(628,605)	(3,125,354)
	$ 6,313,185	$ 14,093,504

Loans Originated After January 1, 2009

Loans originated after January 1, 2009 are carried at fair value and contain unsecured personal loans of $700, $1,500, $2,600 and $5,075. The interest rate on these loans is the cost of the extended credit expressed as an annualized percentage and is 95% on $700 loans, 48%, 95% or 120% on $1,500 loans, varies from 79%-135% on $2,600 loans and varies from 24%-115% on $5,075 loans. The $700 loan is due over the period of 6 months and the $1,500 loan is due over the period of 12 months for 48% and 95% loans and 24 months for 120% loans. The $2,600 loan is due over the period of 36 months and the $5,075 loan is due over a period of 84 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The balance of unsecured loans held for sale, carried at fair value, was $158,548,048 and $81,814,036 at December 31, 2010 and 2009, respectively.

2. UNSECURED CONSUMER LOANS HELD FOR SALE AND INTEREST RECEIVABLE (continued)

Contractual Maturities on Consumer Loans

Contractual maturities of loan principal for total unsecured loans held for sale are as follows for the years ending December 31:

2011	$ 23,982,884
2012	33,255,227
2013	41,707,609
2014	8,177,257
2015 and thereafter	10,451,005
Total loan principal for unsecured loans at December 31, 2010	$ 117,573,982

Combined Interest Receivable

Combined interest receivable, for both unsecured consumer loans accounted for at lower of cost or market and fair value, consists of the following at December 31, 2010 and 2009:

	2010	2009
Interest receivable	$ 11,632,090	$ 5,842,726
Valuation allowance for defaults	(57,672)	(280,997)
Interest receivable, net	$ 11,574,418	$ 5,561,729

3. PARTICIPATING INTEREST IN LOANS SOLD

Activity in Participating Interest in Loans Sold for the years ended December 31, 2010 and 2009 is as follows:

Balance at December 31, 2008	$ 10,000,000
Change in fair value	–
Balance at December 31, 2009	10,000,000
Change in fair value	(4,000,000)
Balance at December 31, 2010	$ 6,000,000

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010 and 2009:

	2010	2009
Computer equipment and software	$ 15,547,431	$ 14,272,792
Furniture and fixtures	4,483,688	4,483,688
Leasehold improvements	179,931	179,931
Autos	18,862	18,862
	20,229,912	18,955,273
Accumulated depreciation and amortization	(16,091,182)	(13,062,560)
	$ 4,138,730	$ 5,892,713

5. NOTES PAYABLE

The balances outstanding on notes payable at December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Hudson Cove Credit Opportunity Fund	$ 30,400,000	$ –
Bayberry Consumer Finance Fund	25,000,000	–
VCCALL, LLC	34,842,057	–
Texas Capital Bank	10,456,659	32,948,187
Centurion Credit Resources, LLC	18,000,000	10,000,000
CapitalSource Finance, LLC	3,015,027	14,954,518
Silar Advisors, LP	780,250	3,171,275
CIGPF I Corp.	–	24,596,039
Other notes payable	1,407,872	2,019,704
Notes payable to related parties	21,743,251	16,774,000
Due to stockholder	21,259,801	21,259,801
Total notes payable	$ 166,904,917	$ 125,723,524

Expected minimum principal payments on the notes payable are $26,946,400, $114,958,517 and $25,000,000 for the years ending December 31, 2011, 2012, and 2013, respectively.

5. NOTES PAYABLE (continued)

Hudson Cove Credit Opportunity Master Fund, L.P.

In August 2010, the Company entered into a note purchase agreement with Hudson Cove Credit Opportunity Master Fund, L.P. for $32 million to refinance the CIGPF I Corp. loan (see below), plus additional working capital. Such loan is secured by certain unsecured consumer loans and the participating interest, bears interest at 28.5% per annum, requires weekly payments of interest and principal as defined in the agreement, and matures on August 24, 2012.

Bayberry Consumer Finance Fund, LLC

In November 2010, the Company entered into a $25 million revolving credit facility with Bayberry Consumer Finance Fund, LLC to fund unsecured consumer loans originated by the Company. Such credit facility is secured by the related unsecured consumer loans, bears interest at 30% per annum, requires monthly interest payments, as defined, and matures in May 2013. The Company is currently in discussions with BayBerry to increase the facility amount.

VCCALL, LLC

In April 2010, the Company entered into a $75 million term credit facility with VCCALL, LLC ("Varde"), a Swedish investment fund, to fund unsecured consumer loans originated by the Company. Such credit facility is secured by the related unsecured consumer loans, bears interest at 20% per annum, requires weekly payments of interest and principal, as defined, and matures on April 12, 2012. Subsequent to December 31, 2010, Varde increased the credit facility to $100 million. The Company also issued Varde warrants to purchase Company common stock in connection with obtaining this credit facility (see Note 7). The fair value of the warrants issued was not significant and no debt discount was reported during the year ended December 31, 2010.

Texas Capital Bank

The Company has a loan warehouse financing facility with Texas Capital Bank to fund up to $50 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan investors. This loan warehouse financing facility is secured by the related mortgage loans. The interest rate charged on borrowings against these funds is based on LIBOR plus 3% (3.78% and 4.01% at December 31, 2010 and 2009, respectively) and contains an interest rate floor of 4.5% per annum. This agreement includes various financial and nonfinancial covenants for which the Company was in compliance with at December 31, 2010. Either party may terminate the agreement at any time. This agreement expires on May 15, 2011 and the Company is currently in negotiations to finalize an extension.

5. NOTES PAYABLE (continued)

Centurion Credit Resources

In December 2009, the Company entered into an $18 million term credit facility, as amended, with Centurion Credit Resources, LLC ("Centurion") to fund unsecured consumer loans originated by the Company. Such credit facility is secured by the related unsecured consumer loans, bears interest at 30% per annum, requires monthly interest payments, as defined, and matures on June 25, 2012.

CapitalSource Finance, LLC

In April 2005, the Company entered into a secured liquidating loan facility with CapitalSource Finance, LLC, to fund unsecured loans originated by the Company. Such loan facility generally calls for interest on the unpaid balance at rates at LIBOR plus 6.5% (7.28% and 7.51% at December 31, 2010 and 2009, respectively). The loan will fully amortize and pay off during 2011.

CIGPF I Corp.

The Company had an outstanding note payable for approximately $25 million to a Citibank entity, secured by the underlying loans that were funded with proceeds from the credit facility. The note was paid in full during 2010.

Other Notes Payable

As of December 31, 2009, the Company had unsecured notes payable to unrelated third parties approximating $1,567,650. Such notes bear interest at 12% and are typically due six months after issuance. In 2009, approximately $2,805,214 of such notes was renewed for an additional six months upon maturity and approximately $2,913,028 matured. The Company issued new unsecured 12% six-month note payables to unrelated third parties for proceeds approximating $650,365. The remaining principal balance of $90,500 was repaid to the holders. In 2010, approximately $4,033,303 of such notes was renewed for an additional six months upon maturity and approximately $3,829,078 matured. The Company issued new unsecured 12% six-month note payables to unrelated third parties for proceeds of $225,000. The remaining principal balance of approximately $1,041,054 was repaid to the holders. Other notes payable totaling $1,407,872 mature on various dates through June 2011.

Notes Payable to Related Parties

Prior to 2009, the Company borrowed $15,364,000 from GreenWall, Inc. ("GW"), a related party under common control of the sole stockholder. During 2010, the Company borrowed $8,060,000 and made payments of $5,560,000. Such note bears interest at 20% per annum, requires monthly interest payments, and has no stated maturity date. The unpaid principal balance of the note at December 31, 2010 and 2009 was $17,864,000 and $15,364,000, respectively.

5. NOTES PAYABLE (continued)

Notes Payable to Related Parties (continued)

Prior to 2009, the Company had additional outstanding notes totaling $1,410,000 due to GW. In 2010, the Company borrowed $3,384,251 and made payments of $915,000 on these notes. Such notes bear interest at 20% per annum, mature at various dates through December 2011, require monthly interest payments, and are secured by the related unsecured consumer loans. The unpaid principal balance at December 31, 2010 and 2009 was $3,879,251 and $1,410,000, respectively.

Due to Stockholder

From time to time, the Company borrows money for working capital purposes from the sole stockholder. In September 2009, the sole stockholder converted $20,000,000 of the outstanding principal balance to equity, which is included in additional paid-in capital in the accompanying balance sheets. At December 31, 2010 and 2009, the total principal balance due to stockholder approximated $21,300,000 and bore interest at approximately 6% per annum through September 2009 (increased to 11.6% in October 2009), and is due on demand. For the years ended December 2010 and 2009, the Company paid the sole stockholder interest of approximately $2,475,000 each year.

6. FAIR VALUE MEASUREMENTS

At the Company's election, certain financial and nonfinancial assets and liabilities that can be measured at estimated fair value. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in estimating fair value as follows:

- *Level 1*: Observable inputs such as quoted prices in active markets;
- *Level 2*: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3*: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Beginning January 1, 2009, the Company elected to measure mortgage loans and unsecured consumer loans at fair value. Except for unsecured loans held for sale, mortgage loans held for sale, and participating interest in loans sold, the Company does not have any assets and liabilities that are measured at fair value on a recurring basis.

6. FAIR VALUE MEASUREMENTS (continued)

The Company's financial instruments that are not carried at fair value on the balance sheet at December 31, 2010 include cash, restricted cash, unsecured loans receivable funded prior to 2009 (except for those carried by CCRT), accounts receivable, accrued liabilities, notes payable, and due to stockholder. Management believes the estimated fair value of these financial instruments, except for unsecured loans funded prior to 2009, approximates their respective carrying amounts due to the short-term maturity of such instruments. See the table below for the fair value of unsecured loans funded after January 1, 2009.

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value, is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity on these various instruments could be significantly different.

The Company's balances of unsecured consumer loans held for sale, mortgage loans held for sale, and participating interest in loans sold are subject to changes in fair value, due to several factors, including fluctuations in interest rates from the loan funding date to the balance sheet date. Typically, such assets decline in value when interest rates increase and rise in value when interest rates decrease.

Assets measured at fair value on a recurring basis at December 31, 2010 are summarized as follows:

	Level 1	Level 2	Level 3
	Quoted market prices in Active markets	Internal Models with significant observable market parameters	Internal models with significant unobservable market parameters
Assets:			
Mortgage loans held for sale	$ –	$ 10,517,426	$ –
Unsecured consumer loans receivable held for sale (funded subsequent to January 1, 2009)	$ –	$ –	$ 158,548,048
Participating interests in loans sold	$ –	$ –	$ 6,000,000

6. FAIR VALUE MEASUREMENTS (continued)

Assets measured at fair value on a recurring basis at December 31, 2009 are summarized as follows:

	Level 1 Quoted market prices in Active markets	Level 2 Internal Models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters
Assets:			
Mortgage loans held for sale	$ –	$ 33,706,194	$ –
Unsecured consumer loans receivable held for sale (funded subsequent to January 1, 2009)	$ –	$ –	$ 81,814,036
Participating interests in loans sold	$ –	$ –	$ 10,000,000

Assets measured at fair value on a nonrecurring basis at December 31, 2010 are summarized as follows:

	Total carrying value	Level 1 Quoted market prices in Active markets	Level 2 Internal Models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters
Assets:				
Unsecured loans receivable held for sale (pre-2009)	$ 6,313,185	$ –	$ –	$ 7,506,616

Assets measured at fair value on a nonrecurring basis at December 31, 2009 are summarized as follows:

	Total carrying value	Level 1 Quoted market prices in Active markets	Level 2 Internal Models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters
Assets:				
Unsecured loans receivable held for sale (pre-2009)	$ 14,093,504	$ –	$ –	$ 16,912,205

Participating Interest in Loans Sold

Using Level 3 inputs, the Company estimates the fair value of the participating interest by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the participating interest. Key assumptions include the default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity. The Company applies assumptions based on the product

6. FAIR VALUE MEASUREMENTS (continued)

Participating Interest in Loans Sold (continued)

type and age of the loan pools. Assumed defaults rates range up to 4.0% per month and assumed prepayments rates range up to 0.5% per month at December 31, 2010 and 2009. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. The discount rate used was 17% for at December 31, 2010 and 2009. Management believes that there is no observable market for participating interest in loans sold such as those the Company holds and, accordingly, these assets are considered to be Level 3 assets pursuant to the provisions of GAAP concerning fair value measurements, and were considered as such throughout the entire year.

The following table presents the changes for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2010:

	Participating Interest	Unsecured Consumer Loans
Fair value, December 31, 2009	$ 10,000,000	$ 81,814,036
Change in fair value	(4,000,000)	3,152,424
Originations	–	73,581,588
Fair value, December 31, 2010	$ 6,000,000	$ 158,548,048

Key assumptions used in estimating the fair value of the Company's financial instruments at December 31, 2010, and the effect on the estimated fair value from adverse changes in those assumptions are as follows:

Fair value of participating interest in loans sold	$ 6,000,0000
Discount rate	17%
Impact of 10% adverse change	(229,030)
Impact of 20% adverse change	(448,024)
Fair value of unsecured consumer loans originated subsequent to January 1, 2009	$158,548,048
Discount rate	25%
Estimated impact of 10% adverse change	(1,720,000)
Estimated impact of 20% adverse change	(3,380,000)

6. FAIR VALUE MEASUREMENTS (continued)

Market Environment

The Company is a specialty lender and a mortgage lender. Its operations are therefore dependent on the credit markets. The level of government intervention and stimulus to the financial system has brought interest rates to historic low levels. Should LIBOR and mortgage interest rates increase to normalized levels, it will materially reduce the fair value of its financial instruments reflected in the accompanying balance sheet at December 31, 2010.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space in Anaheim, California under an operating lease expiring in January 2016. The Company also leases office space in Las Vegas, Nevada under an operating lease expiring in December 2011. Future minimum rental payments required under the Las Vegas lease approximate $336,000.

Future minimum rental payments required under the Anaheim lease are as follows for the years ending December 31:

2011	$ 1,077,912
2012	1,892,562
2013	1,969,212
2014	2,045,863
2015	2,122,513
2016	179,538
	$ 9,287,600

Rent expense approximated $2,324,000 and 3,042,000 for the years ended December 31, 2010 and 2009, respectively.

Warrants

In connection with sale of a large block of unsecured loans in December 2007, the Company issued warrants to purchase Company common stock to the buyer of such loans for the purchase of 1,099 shares (representing approximately 10% of the fully diluted outstanding common shares at such time). Such warrants have an exercise price of $0.01 per share, contain anti-dilution provisions, and (except as otherwise described in the related agreements) expire ten years after issuance. The warrants also include a "put" right, whereby the warrant holder (the "Holder") may upon the sale of a majority equity interest in the Company require the Company to cash settle the warrants.

7. COMMITMENTS AND CONTINGENCIES (continued)

Warrants (continued)

If the Company is required by the structure of any such transaction to cash settle the warrants, the purchase price will be an amount equal to their estimated fair market value immediately prior to consummating a sale transaction. However, under the terms of the warrant agreement, the Holder's contingent put right will be null and void if (a) the consideration paid by a buyer of the Company's common stock consists solely of cash and/or capital stock of a publicly held entity or (b) the Company does not have sufficient cash legally available to fully satisfy the put right. If the warrant put right must be cash settled (for reasons described above), the sole stockholder of the Company presently intends to finance such payment from (1) the proceeds he will receive from selling a majority equity interesting in the Company and/or (2) other personal assets. Based on independent valuations and management's updates, management determined that the estimated fair value of such warrants was not significant at December 31, 2010 and 2009.

In connection with a financing facility obtained in April 2010 with Varde (see Note 5), the Company issued Varde 278 warrants to purchase Company common stock at an exercise price of $2,329 per share (subject to dilution features). Such warrants are exercisable at any time and expire 10 years from date of issuance. The warrants contain price protection features and are considered a derivative liability. The fair value of such warrants was not considered significant at issuance or at December 31, 2010.

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and, in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

8. EMPLOYEE BENEFIT PLAN

The Company offers a defined contribution 401(k) plan with discretionary Company contributions. To become eligible, employees must be at least 21 years of age, have been employed for a minimum of 6 months, and worked at least 500 hours during that period. The Company did not contribute to the 401(k) plan for the years ended December 31, 2010 and 2009.

EXHIBIT I

CASHCALL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

INDEX TO FINANCIAL STATEMENTS

SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc.

We have audited the accompanying consolidated balance sheets of CashCall, Inc. (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
March 19, 2012

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP
[illegible]

4100 Newport Place Drive, Third Floor Newport Beach, CA 92660 Tel: 949-222-2999 Fax: 949-222-2989

Encino Los Angeles Newport Beach San Diego Cayman Islands

CASHCALL, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 13,360,818	$ 2,704,007
Restricted cash	10,131,650	17,062,226
Unsecured:		
Consumer loans held for sale, at fair value	272,097,681	158,548,048
Consumer loans held for sale, at lower of cost or market, net	1,515,318	6,313,185
Total consumer loans held for sale	273,612,999	164,861,233
Mortgage loans held for sale, at fair value	263,273,804	10,517,426
Interest receivable, net	26,721,156	11,574,418
Prepaid expenses and other assets	15,105,918	13,905,320
Property and equipment, net	2,094,127	4,138,730
Total assets	$ 604,300,472	$ 224,763,360
LIABILITIES AND STOCKHOLDER'S EQUITY		
Accounts payable and accrued liabilities	$ 25,523,288	$ 15,065,540
Notes payable	477,324,961	166,904,917
Total liabilities	502,848,249	181,970,457
Commitments and Contingencies (Note 7)		
Stockholder's Equity		
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000	20,000,000
Additional paid-in capital	21,900,000	21,900,000
Retained earnings	59,552,223	892,903
Total stockholder's equity	101,452,223	42,792,903
Total liabilities and stockholder's equity	$ 604,300,472	$ 224,763,360

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2011 and 2010

	2011	2010
REVENUES		
Interest income, net	$ 178,679,983	$ 71,122,216
Interest expense	(46,781,467)	(24,388,949)
Net interest income	131,898,516	46,733,267
SERVICING INCOME ON UNSECURED LOANS HELD FOR SALE	3,233,511	5,951,547
PROVISION FOR LOAN LOSSES	(2,159,786)	(5,609,355)
CHANGE IN FAIR VALUE OF UNSECURED CONSUMER LOANS HELD FOR SALE BEFORE CHARGE OFFS	13,873,977	19,799,369
LOANS CHARGED OFF	(40,059,780)	(11,104,347)
NET CHANGE	(26,185,803)	8,695,022
MORTGAGE-RELATED REVENUES (Note 6)	87,370,626	44,021,580
OTHER INCOME (EXPENSE)	4,873,725	(1,667,872)
TOTAL NET REVENUES	199,030,789	98,124,189
OPERATING EXPENSES		
Salaries, wages and benefits	49,646,896	27,224,842
General and administrative expenses	61,749,438	36,525,398
Advertising	27,536,923	17,496,388
Total operating expenses	138,933,257	81,246,628
NET INCOME	$ 60,097,532	$ 16,877,561

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2011 and 2010

	Common Stock		Additional Paid-in	Retained	Total Stockholder's
	Shares	Amount	Capital	Earnings	Equity
BALANCE – DECEMBER 31, 2009	10,000	$ 20,000,000	$ 21,900,000	$ (15,984,658)	$ 25,915,342
Net income	–	–	–	16,877,561	16,877,561
BALANCE – DECEMBER 31, 2010	10,000	20,000,000	21,900,000	892,903	42,792,903
Distributions	–	–	–	(1,438,212)	(1,438,212)
Net income	–	–	–	60,097,532	60,097,532
BALANCE – DECEMBER 31, 2011	10,000	$ 20,000,000	$ 21,900,000	$ 59,552,223	$ 101,452,223

The accompanying notes are an integral part of these consolidated financial statements.

CASHCALL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 60,097,532	$ 16,877,561
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,528,794	3,028,622
Provision for loan losses	2,159,786	5,609,355
Loan principal charged off, net of recoveries	40,059,780	11,104,347
Loan interest charged off	23,817,898	5,766,765
Change in fair value of unsecured loans held for sale	(13,873,977)	(19,799,369)
Change in fair value on mortgage loans held for sale	(6,455,990)	(224,167)
Unsecured loans originated	(211,850,960)	(93,166,825)
Principal repayments on unsecured loans	72,248,711	25,915,295
Mortgage loans originated	(2,967,509,656)	(1,545,677,112)
Principal repayments on mortgage loans	6,606,458	4,472,018
Proceeds from sale of mortgage loans	2,717,602,826	1,567,618,029
Changes in operating assets and liabilities:		
Interest receivable	(39,459,763)	(13,395,950)
Prepaid expenses and other assets	(1,200,598)	(1,214,429)
Accounts payable and accrued liabilities	10,457,748	33,564
Net cash used in operating activities	(304,771,411)	(33,052,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	6,930,576	(8,254,763)
Acquisition of property and equipment	(484,186)	(1,274,639)
Net cash provided by (used in) investing activities	6,446,390	(9,529,402)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on loan warehouse financing facilities	240,245,090	(22,491,528)
Proceeds from issuance of notes payable	136,947,621	124,812,985
Principal repayments on notes payable	(66,772,667)	(61,140,064)
Distributions paid to sole stockholder	(1,438,212)	–
Net cash provided by financing activities	308,981,832	41,181,393
NET INCREASE (DECREASE) IN CASH	10,656,811	(1,400,305)
CASH – beginning of year	2,704,007	4,104,312
CASH – end of year	$ 13,360,818	$ 2,704,007
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 44,271,272	$ 20,112,246
Income taxes	$ 1,154,403	$ 59,194

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

CashCall, Inc. ("CashCall" or "the Company"), a California corporation, operates as both a specialty finance and mortgage lender. With respect to specialty finance, the Company engages in the business of marketing, originating, selling and servicing short-term high interest rate unsecured consumer loans primarily to customers responding to radio, television and internet advertisements. With respect to mortgage lending, CashCall is a HUD certified Title II "nonsupervised mortgagee" and originates mortgages loans nationwide, typically selling such loans on a servicing-released basis. CashCall is owned by one stockholder (the "sole stockholder").

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements include the accounts of CashCall, Inc. and its subsidiaries (collectively hereinafter the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, the estimated fair value of unsecured consumer and mortgage loans held for sale. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances, including restricted cash, may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Concentrations of credit risk with respect to unsecured loans held for sale are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term high interest rate loans generally have less than average credit scores and the Company does not require collateral to support these loans. At December 31, 2011 and 2010, no single customer represented greater than 10% of total unsecured loans receivable.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

Any further adverse changes in the related real estate market, or significant increases in interest rates, could have a material adverse impact on the Company's mortgage lending operations.

The Company has obtained substantially all of its financing from the sole stockholder and certain outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because of alternative financing sources.

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk, interest rate risk and market risk. Credit risk is the risk of default, primarily in the loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Interest rate risk is the risk that the valuation of the Company's interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business. Additionally, the Company's mortgage lending operations have significant risk with respect to real estate market conditions and real estate market interest rate changes.

Repurchase Reserve

The Company sells mortgage loans to loan purchasers generally on a servicing released basis without recourse. As such, these purchasers have assumed the risk of loss or default by the borrower. However, the Company is usually required by these purchasers to make certain representations relating to credit information, loan documentation, and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults or premium recapture, the Company may be required to repurchase the loans and/or indemnify these purchasers for any losses from borrower defaults. During the years ended December 31, 2011 and 2010, the Company incurred no significant indemnification expense or repurchased any loans. The Company accrues for losses on loan repurchases and indemnifications when it appears probable they will occur. Repurchased loans, if any, would be evaluated at time of repurchase for purposes of determining fair market value and carrying value on the balance sheet. Claims by loan

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase Reserve (continued)

purchasers for indemnification and loan repurchase have been minor since the Company began funding mortgages during 2009. At December 31, 2011, the Company had an accrued liability for repurchases and indemnifications of approximately $500,000. There was no such corresponding accrual at December 31, 2010.

Accounting for Interest Rate Lock Commitments and Hedging

In accordance with FASB ASC 815, *Derivatives and Hedging*, the Company records its hedging commitments at fair value as either assets or liabilities on the balance sheet. The Company hedges interest rate risk and enters into forward sell commitments to hedge mortgage loans where the Company has provided the prospective borrower with a commitment on the loan interest rate prior to funding (interest rate lock commitments or "IRLC's"). IRLC's on mortgage loans that are intended to be sold are considered to be derivatives and are recorded at fair value in the balance sheet with the change in fair value recorded to operations. At December 31, 2011 and 2010, the fair value of IRLC's was not significant. Additionally, until a locked loan is committed to an investor, the Company is at risk for potential changes in the value of that loan. To protect loan asset values in the origination process, the Company hedges the changes in fair value of the locked pipeline and loans held for sale by entering into best efforts forward delivery commitments with investors. The changes in fair value of the hedging commitments are recognized in current earnings as a component of mortgage-related revenues.

At December 31, 2011, the Company had no open positions on forward sales commitments.

Interest Recognition

Interest income on unsecured consumer loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and repayment. Uncollectible interest on such loans is included in other expenses. Accrual of interest income is suspended when a loan is contractually delinquent for 150 days or more. Once a loan is delinquent for 150 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Interest income on mortgage loans is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and sale of the loan in the secondary market.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Option

GAAP permits a company to irrevocably elect fair value for the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract by contract basis, with changes in fair value recognized in earnings. The election to use the fair value option is available when an entity first recognizes a financial asset or a financial liability or upon entering into a firm commitment. With the exception of certain unsecured consumer loans held for sale funded prior to 2009, the Company has elected to measure all unsecured and mortgage loans held for sale at fair value. The Company remeasures the fair value of its loans held for sale at each reporting period and records the changes as a component of its results of operations.

Unsecured Consumer Loans Held for Sale

Unsecured consumer loans held for sale that originated subsequent to 2009 are carried at fair value. The Company estimates the fair value of unsecured consumer loans held for sale by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the loans (see Note 5.) The secondary market for unsecured consumer loans of this type is limited. Key assumptions include the default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity.

The Company applies assumptions which market participants would use based on the product type and age of the loan pools. Assumed defaults rates range up to 33.8% per year and assumed prepayments rates range up to 55.4% per year. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. Management used a discount rate for the years ended December 31, 2011 and 2010 of 27.5% and 25.0%, respectively. Management believes that there is no observable market for these unsecured loan products and, accordingly, these loans are considered to be Level 3 assets pursuant to the provisions of GAAP concerning fair value measurements, and were considered as such throughout the years presented.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unsecured Consumer Loans Held for Sale (continued)

Loans originated by the Company prior to 2009 are carried at the lower of cost or market. The Company had a valuation allowance of $578,545 and $628,605 at December 31, 2011 and 2010, respectively, to reflect the excess of cost over market value for the delinquent group of loans. Provisions for loan losses includes $2,159,786 and $5,609,355 for the years ended December 2011 and 2010, respectively, relating to loans charged off.

See Notes 2 and 5 for further information on unsecured loans held for sale.

Mortgage Loans Held for Sale

Mortgage loans held for sale consists of single-family residential property mortgages having maturities up to 30 years. Pursuant to the mortgage terms, the borrowers have pledged the underlying real estate as collateral for the loans. During 2011, it was generally the Company's practice to sell all mortgage loans shortly after they were funded, on a loan servicing released basis. For 2012, management intends to increase servicing retention on loans sold.

As noted earlier, the Company has elected the fair value reporting option for mortgage loans held for sale. Fair value is determined using Level 2 inputs in the form of quoted market prices and committed prices, if any, to permanent investors, including mandatory and optional commitments to sell, if any. Changes in fair value are recorded to operations in the reporting period and loan origination fees and costs are recorded to operations as incurred. For the years ended December 31, 2011 and 2010, the Company recorded an unrealized gain on the change in fair value of mortgage loans held for sale of approximately $6,455,000 and $224,000, respectively, which is included in the accompanying statements of operations under the caption "*Mortgage-related revenues*". See Note 6 for further information on mortgage-related revenues. At December 31, 2011 and 2010, unrealized gains included in mortgage loans held for sale on the accompanying balance sheets were approximately $6,679,000 and $224,000, respectively.

Mortgage-Related Revenues

Mortgage-related revenues on the statements of operations includes the premium from loan sales, the unrealized gain on mortgage loans held for sale, the realized and unrealized gain/loss on derivative interest rate hedging, the change in fair value of mortgage servicing rights, loan origination income, and the provision for losses on previously sold loans. See Note 6 for further information.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loan Servicing

The Company services both mortgage and unsecured consumer loans. For mortgage servicing rights ("MSR's"), the Company began servicing a small portfolio of mortgage loans during 2011 and has elected to measure MSR's at fair value as prescribed by FASB ASC 860, *Transfers and Servicing*. As such, servicing assets or liabilities are valued using discounted cash flow modeling techniques using assumptions regarding future net servicing cash flow, including prepayment rates, discount rates, servicing cost and other factors. Changes in estimated fair value are reported in the statement of operations under the caption "*Mortgage-Related Revenues*". At December 31, 2011, MSR's approximated $2,900,000.

The Company also services a portfolio of unsecured consumer loans. Servicing rights for such loans are not capitalized under GAAP. Servicing revenues are reported in the statements of operations under the caption "*Servicing Income on Unsecured Loans Held for Sale*".

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2011 and 2010.

The Company maintains bank accounts to collect and remit funds as part of servicing agreements with various entities. Restricted cash balances related to such accounts were $10,131,650 and $17,062,226 at December 31, 2011 and 2010, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment review is conducted. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. For the years ended December 31, 2011 and 2010, management determined that no indicators of impairment existed and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Income Taxes

The Company has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Income taxes are the responsibility of the sole stockholder. Accordingly, the Company has not provided for federal income taxes. However, the Company is subject to a California income tax of 3.5% on taxable income.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Advertising costs totaled $27,536,923 and $17,496,388, respectively, for the years ended December 31, 2011 and 2010.

Reclassifications

Certain balances have been reclassified from the prior year to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through March 19, 2012, the date the financial statements were issued.

2. UNSECURED CONSUMER LOANS HELD FOR SALE

Unsecured Consumer Loans Held for Sale

Unsecured consumer loans held for sale are carried at fair value and contain unsecured loans to individuals ranging up to $25,000. The annual interest rate on these loans ranges from 35.7% to 169%, while the term ranges from 12 months to 120 months. Borrowers make monthly payments of principal and interest and can prepay their loan at any time without penalty.

Certain unsecured loans originated prior to 2009 are carried at the lower of cost or market. Such balances are not significant and approximated $1,515,000 and $6,313,000 at December 31, 2011 and 2010, net of related allowance for losses.

At December 31, 2011 and 2010, the unrealized gains included in unsecured consumer loans held for sale approximated $61,530,000 and $47,656,000, respectively. For the years ended December 31, 2011 and 2010, the Company recorded unrealized gains resulting from the change in fair value of unsecured consumer loans held for sale of approximately $13,874,000 and $19,799,000, respectively, which are included in the accompanying statements of operations.

Loans charge offs totaled $40,059,780 and $11,104,347 for the years ended December 31, 2011 and 2010, respectively. Due to significant increased consumer loan origination volume for 2011 over that of 2010, coupled with the fact that unsecured consumer loans experience higher default rates during their first six months following origination, loan charge offs (more than 150 days delinquent) increased significantly for 2011. Additionally, management's overall valuation of unsecured consumer loans at December 31, 2011, utilized an increased discount rate of 27.5% versus a discount rate of 25.0% at December 31, 2010, resulting in more conservative estimates of fair value (see Note 5 for further information on fair value).

A summary of the activity for unsecured consumer loans held for sale at fair value for the years ended December 31, 2011 and 2010 follows (rounded):

	2011	2010
Balance – beginning of period	$ 158,548,000	$ 81,814,000
Loan fundings	212,143,000	93,167,000
Principal repayments	(72,408,000)	(25,128,000)
Principal charge offs, net of recoveries	(40,060,000)	(11,104,000)
Change in unrealized gain	13,874,000	19,799,000
Balance – end of period	$ 272,097,000	$ 158,548,000

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011 and 2010:

	2011	2010
Computer equipment and software	$ 15,816,623	$ 15,547,431
Furniture and fixtures	4,483,688	4,483,688
Leasehold improvements	179,931	179,931
Autos	233,862	18,862
	20,714,104	20,229,912
Accumulated depreciation and amortization	(18,619,977)	(16,091,182)
	$ 2,094,127	$ 4,138,730

4. NOTES PAYABLE

The balances outstanding on notes payable at December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Hudson Cove Credit Opportunity Fund	$ 28,675,000	$ 30,400,000
Bayberry Consumer Finance Fund	55,235,000	25,000,000
VCCALL, LLC	49,179,356	34,842,057
Texas Capital Bank	31,335,842	10,456,659
Merchant's Bank of Indiana	65,298,431	–
UBS Securities	154,067,477	–
Centurion Credit Resources, LLC	18,000,000	18,000,000
BasePoint Specialty Finance, LLC	23,961,534	–
RPFG, LLC	1,000,000	–
Other notes payable	1,455,682	1,407,872
Notes payable to related parties	27,856,838	21,743,251
Due to sole stockholder	21,259,801	21,259,801
CapitalSource Finance, LLC	–	3,015,027
Silar Advisors, LP	–	780,250
	$ 477,324,961	$ 166,904,917

4. NOTES PAYABLE (continued)

Future estimated minimum principal payments are as follows for the years ending December 31:

2012	$ 337,002,080
2013	104,956,881
2014	16,034,797
2015	17,916,230
2016 and thereafter	1,414,973
	$ 477,324,961

Hudson Cove Credit Opportunity Master Fund, L.P.

The Company entered into a note purchase agreement with Hudson Cove Credit Opportunity Master Fund, L.P. for $32 million. During 2011, the credit facility was increased to $47 million. Such loan is secured by certain unsecured consumer loans, bears interest ranging from 24% to 28.5% per annum, requires weekly payments of interest and principal as defined in the agreement, and matures in August 2013

Bayberry Consumer Finance Fund, LLC

The Company entered into a $25 million revolving credit facility with Bayberry Consumer Finance Fund, LLC to fund unsecured consumer loans originated by the Company. During 2011, Bayberry increased the credit facility to $48 million. Such credit facility is secured by the related unsecured consumer loans, bears interest at 30% per annum, requires monthly interest payments, as defined, and matures in May 2013. Subsequent to December 31, 2012, the credit facility was increased to $65 million and an additional facility was obtained of $15 million.

VCCALL, LLC

The Company entered into a $75 million term credit facility with VCCALL, LLC ("Varde"), a Swedish investment fund, to fund unsecured consumer loans originated by the Company. During 2011, Varde increased the credit facility to $100 million and the Company has borrowed the full facility amount. Such credit facility is secured by the related unsecured consumer loans, bears interest at 20% per annum, requires weekly payments of interest and principal, as defined. The line will be fully utilized as of April 2012 and will be repaid throughout the life of the related collateral loans, which the Company estimates to be through 2017. The Company also issued Varde warrants to purchase Company common stock in connection with obtaining this credit facility (see Note 7 for further information). The fair value of the warrants issued was not significant and no debt discount was reported during the years ended December 31, 2011 and 2010.

4. NOTES PAYABLE (continued)

Texas Capital Bank

The Company has a mortgage loan warehouse financing facility with Texas Capital Bank to fund up to $60 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan investors. This loan warehouse financing facility is secured by the related mortgage loans. The interest rate charged on borrowings against these funds is based on the rate of each mortgage note less 75 basis points and contains an interest rate floor of 3.75% per annum. Based on the contractual terms of this agreement, Texas Capital Bank will fund 99% of the loan balances and the Company will fund the remaining 1%. This agreement includes various financial covenants for which the Company was in compliance with at December 31, 2011. Either party may terminate the agreement at any time. This agreement matures on May 11, 2012 and the Company is currently in negotiations to finalize an extension.

Merchant's Bank of Indiana

The Company has a mortgage loan warehouse financing facility with Merchant's Bank of Indiana to fund up to $100 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan investors. This loan facility is secured by the related mortgage loans and charges an interest rate equal to the borrower's note rate, as defined. Based on the contractual terms of this agreement, Merchant's Bank of Indiana will fund 98% of the loan balances and the Company will fund the remaining 2%. Either party may terminate the agreement at any time. This agreement matures on May 12, 2012 and the Company is currently in negotiations to finalize an extension.

UBS Securities

The Company has a mortgage loan warehouse facility with UBS Securities to fund up to $175 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan investors. This loan facility is secured by the related mortgage loans and charges an interest rate on borrowings against these funds equal to one-month LIBOR plus 2.75%, as defined. Based on the contractual terms of this agreement, UBS Securities will fund 98% of the loan balances and the Company will fund the remaining 2%. This agreement includes various financial covenants for which the Company was in compliance with at December 31, 2011. This agreement matures on September 19, 2012 and the Company is currently in negotiations to finalize an extension.

Centurion Credit Resources

The Company entered into an $18 million term credit facility, as amended, with Centurion Credit Resources, LLC ("Centurion") to fund unsecured consumer loans originated. Such credit facility is secured by the related unsecured consumer loans, bears interest at 30% per annum, requires monthly interest payments, as defined, and matures in September 2013.

4. NOTES PAYABLE (continued)

CapitalSource Finance, LLC

The Company entered into a secured liquidating loan facility with CapitalSource Finance, LLC, to fund unsecured loans originated. Such loan was fully amortized and paid off during 2011.

BasePoint Specialty Finance, LLC

In July 2011, the Company entered into a $50 million term credit facility with BasePoint Specialty Finance, LLC to fund unsecured consumer loans originated by the Company. Such credit facility is secured by the related unsecured consumer loans, bears interest at 25% per annum, requires monthly interest payments, as defined. The line has been fully utilized as of March 2012 and will be repaid throughout the life of the related collateral loans, which the Company estimates to be through 2015.

RPFG, LLC

In June 2011, the Company entered into a $1 million term credit facility with RFPG, LLC to fund unsecured consumer loans originated by the Company. Such credit facility is secured by the related unsecured consumer loans, bears interest at 25% per annum, requires monthly interest payments, as defined, and matures in June 2014.

Other Notes Payable

The Company has unsecured notes payable to unrelated third parties, bearing interest at 12%, and generally due six months after issuance.

Notes Payable to Related Parties

Prior to 2009, the Company borrowed $15,364,000 from GreenWall, Inc. ("GW"), a related party under common control of the sole stockholder. During 2010, the Company borrowed $8,060,000 and made payments of $5,560,000. No new borrowings or repayments were made during 2011. Such note bears interest at 20% per annum, requires monthly interest payments, and has no stated maturity date. The unpaid principal balance of the note at December 31, 2011 and 2010 was $17,864,000.

Prior to 2009, the Company had additional outstanding notes totaling $1,410,000 due to GW. During 2010, the Company borrowed $3,384,251 and made payments of $915,000 on these notes. During 2011, the Company borrowed $6,113,587 and made no repayments. Such notes bear interest at annual rates ranging from 15% to 20%, mature at various dates through December 2012, require monthly interest payments, and are secured by the related unsecured consumer loans. The unpaid principal balance at December 31, 2011 and 2010 was $9,992,838 and $3,879,251, respectively.

4. NOTES PAYABLE (continued)

Due to Sole Stockholder

From time to time, the Company borrows money for working capital purposes from the sole stockholder. At December 31, 2011 and 2010, the total principal balance due to the sole stockholder was approximately $21,300,000, which bears interest at 11.6% per annum, and is due on demand. For the years ended December 2011 and 2010, the Company paid the sole stockholder interest of approximately $2,475,000 each year.

5. FAIR VALUE MEASUREMENTS

GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in estimating fair value as follows:

- *Level 1*: Observable inputs such as quoted prices in active markets;
- *Level 2*: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3*: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Except for loans held for sale and mortgage servicing rights, the Company does not have any significant assets and liabilities that are measured at fair value on a recurring or nonrecurring basis.

The Company's financial instruments that are not carried at fair value on the balance sheet at December 31, 2011 include cash, restricted cash, interest receivable, accounts payable and accrued liabilities, and notes payable. Management believes the estimated fair value of these financial instruments approximates their respective carrying amounts due to their relatively short-term maturity.

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value, is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

5. FAIR VALUE MEASUREMENTS (continued)

The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since fair value is estimated as of the balance sheet date, the amounts that will actually be realized could be significantly different.

The Company's balances of loans held for sale are subject to changes in fair value, due to several factors, including fluctuations in interest rates from the loan funding date to the balance sheet date. Typically, such assets decline in value when interest rates increase and rise in value when interest rates decrease.

Assets measured at fair value on a recurring basis at December 31, 2011 are summarized as follows:

	Level 1 Quoted market prices in Active markets	Level 2 Internal Models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters
Assets:			
Mortgage loans held for sale	$ –	$ 263,273,804	$ –
Unsecured consumer loans held for sale	$ –	$ –	$ 272,097,681
Mortgage servicing rights	$ –	$ –	$ 2,948,964

Assets measured at fair value on a recurring basis at December 31, 2010 are summarized as follows:

	Level 1 Quoted market prices in Active markets	Level 2 Internal Models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters
Assets:			
Mortgage loans held for sale	$ –	$ 10,517,426	$ –
Unsecured consumer loans held for sale	$ –	$ –	$ 158,548,048
Mortgage servicing rights	$ –	$ –	$ –

5. FAIR VALUE MEASUREMENTS (continued)

The following table presents the changes for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2011 and 2010:

	Mortgage Servicing Rights	Unsecured Consumer Loans Held for Sale
Fair value, December 31, 2009	$ –	$ 81,814,036
Change in fair value	–	19,799,369
Loan originations, net of repayments and charge offs	–	56,934,643
Fair value, December 31, 2010	–	158,548,048
Servicing originations	2,948,964	–
Change in fair value	–	13,873,977
Loan originations, net of repayments and charge offs	–	99,675,656
Fair value, December 31, 2011	$ 2,948,964	$ 272,097,681

The key assumptions used in the valuation of unsecured consumer loans held for sale at December 31, 2011 are the discount rate, default rate and prepayment rate.

The estimated impact of changes for the key assumptions at December 31, 2011follows:

Fair value of unsecured consumer loans held for sale	272,097,681
Discount rate	27.5%
Estimated impact of 10% adverse change	(7,482,686)
Estimated impact of 20% adverse change	(14,965,372)
Default rate	33.8%
Estimated impact of 10% adverse change	(9,196,902)
Estimated impact of 20% adverse change	(18,393,803)
Prepayment rate	55.4%
Estimated impact of 10% adverse change	(15,074,211)
Estimated impact of 20% adverse change	(30,148,423)

6. MORTGAGE-RELATED REVENUES

Mortgage-related revenues in the accompanying statements of operations are comprised of the following components for the years ended December 31, 2011 and 2010:

	2011	2010
Premium from loan sales	75,661,708	40,688,624
Realized gains (losses) from derivative hedging	(3,080,339)	–
Change in fair value of mortgage servicing rights	2,948,964	–
Change in fair value of mortgage loans held for sale	6,455,990	224,167
Loan origination income	5,884,303	3,108,789
Provision for losses on previously sold loans	(500,000)	–
	$ 87,370,626	$ 44,021,580

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space in Anaheim, California under an operating lease expiring in January 2016. The Company also leases office space in Las Vegas, Nevada under an operating lease expiring in December 2014. At December 31, 2011, additional leases include office space in Orange, California (expiring in March 2013), Blue Springs, Missouri (expiring in December 2013), and Honolulu, Hawaii (expiring in August 2013).

Future minimum rental payments required under such leases are as follows for the years ending December 31:

2012	$ 2,486,539
2013	2,363,996
2014	2,369,441
2015	2,122,513
2016	179,538
	$ 9,522,027

Rent expense approximated $2,314,000 and $2,062,000 for the years ended December 31, 2011 and 2010, respectively.

7. COMMITMENTS AND CONTINGENCIES (continued)

Warrants

In connection with sale of a large block of unsecured loans in December 2007, the Company issued warrants to purchase Company common stock to the buyer of such loans for the purchase of 1,099 shares (representing approximately 10% of the fully diluted outstanding common shares at such time). These warrants have an exercise price of $0.01 per share, contain anti-dilution provisions and price protection features, were exercisable upon issuance and (except as otherwise described in the related agreements) expire ten years after issuance. The warrants also include a "put" right, whereby the warrant holder (the "Holder") may upon the sale of a majority equity interest in the Company require the Company to cash settle the warrants.

If the Company is required by the structure of any such transaction to cash settle the warrants, the purchase price will be an amount equal to their estimated fair market value immediately prior to consummating a sale transaction. However, under the terms of the warrant agreement, the Holder's contingent put right will be void if (a) the consideration paid by a buyer of the Company's common stock consists solely of cash and/or capital stock of a publicly held entity or (b) the Company does not have sufficient cash legally available to fully satisfy the put right. If the warrant put right must be cash settled (for reasons described above), the sole stockholder of the Company presently intends to finance such payment from (1) the proceeds he will receive from selling a majority equity interest in the Company and/or (2) other personal assets. Based on independent valuations and management's updates, the Company determined that the estimated fair value of such warrants was not significant at December 31, 2011 or 2010.

In connection with the financing facility obtained in April 2010 with Varde (see Note 4), the Company issued Varde 278 warrants to purchase Company common stock at an exercise price of $2,329 per share (subject to anti-dilution features). Such warrants are exercisable at any time and expire ten years from date of issuance. The warrants contain price protection features and are considered a derivative liability. The estimated fair value of such warrants was not considered significant at December 31, 2011 or 2010.

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and, in the aggregate, are not expected to have a material adverse effect upon the Company's financial position or results of operations.

8. EMPLOYEE BENEFIT PLAN

The Company offers a defined contribution 401(k) plan with discretionary Company contributions. To become eligible, employees must be at least 21 years of age, have been employed for a minimum of six months, and worked at least 500 hours during that period. Employee elective contributions are fully vested. Employer discretionary contributions vest at a rate of 20% each year after two years of service and become fully vested upon attainment of normal retirement age, retirement due to disability, death, and upon termination of the Plan, as defined. The Company did not contribute to the 401(k) plan for the years ended December 31, 2011 and 2010.